DTE-9 Please provide all of the billing determinants (that is, for each customer class for both the summer and winter seasons the number of customer bills and the number of therms used in each of the rate blocks) that support the rate design found in Exhibit 7 of the Company's petition. Provide all additional data the Department would need to replicate the calculation of all the rates proposed by the Company.

Response: Please see attached pages for the weather normalized billing determinants. These were used in Exhibit 7 to develop rates. Also please refer to RR-AG-15 which describes the development of these billing determinants, including the assumptions as to the block in which incremental or decremental usage would fall. The only other assumptions required are those that produce the weather normalization: i.e., that average summer month use defines base use, and that actual heat use per degree day can be used to predict heat use that will result from normal temperatures. The major assumption in this process is that regarding the headblock usage – that all residential customers use the headblock in each month. This seemed reasonable, given that the average per customer use in each month is greater than the headblock. In addition, as noted in RR-AG-15 we also checked each residential heating bill in one meter route in the winter months.

To the extent that this assumption is not completely correct, and some residential bills end in the headblock (which might occur with a customer on vacation for the month), then this assumption will result in too many billing CCF in the headblock and too few in the tailblock. This would result in a slight undercollection of revenue in normal weather. This is illustrated by the following example, with hypothetical usage and rates. It is intended to look like the month of April, with numbers roughly in line with the number of customers and rates requested by Blackstone. It reflects a swing month, because in the colder months usage in the tailblock would be much higher, and there would be almost no probability of any customer using less than the first block of 30 CCF. The first table illustrates the assumed billing determinants. The second table illustrates a hypothetical actual usage, in which there are 3 less CCF in the first block that had been assumed. This could represent 1 customer using only 27 CCF, or 3 customers using only 29 MCF. Note that the error can only go in this direction; there cannot be more than 30,000 CCF in the first block of this rate.

Assumed April Residential Heating Normalized Billing Determinants & Revenue

	Billing determinants	Rate per CCF	Revenue Expected	
Number customers	1000			
Headblock (30 ccf)	30000	$.80	$24000	
Tailblock (over 30)	30000	$.60	$18000	
Total commodity	60000		$42000	

Hypothetical Actual April Residential Billing Determinants & Revenue

	Billing determinants	Rate per CCF	Revenue Expected	
Number customers	1000			
Headblock (30 ccf)	29997	$.80	$23997.6	
Tailblock (over 30)	30003	$.60	$18001.8	
Total commodity	60000		$41999.4	